

Message Text

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ACTION EUR-12

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PASS LABOR, TREASURY, FRB

E.O. 11652: N/A

TAGS: ELAB, PINT, UK

SUBJECT: TUC TAKES SOBER VIEW OF ECONOMY IN TALKS WITH
GOVERNMENT

1. THE TUC LEADERSHIP APPEARS TO BE TAKING A VERY SOBER
AND NON-CONFRONTATIONAL APPROACH TO THE GOVERNMENT'S
FORTHCOMING AUSTERITY PACKAGE. THIS MOOD IS REFLECTED IN
THE JOINT STATEMENT OF THE TUC-LABOR PARTY LIAISON
COMMITTEE AFTER ITS MEETING TODAY (DECEMBER 6) AND IN
COMMENTS MADE TO THE PRESS BY TUC GENERAL SECRETARY LEN
MURRAY. IN ADDITION TO MURRAY AND OTHER LEADERS, THE
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PRIME MINISTER JAMES CALLAGHAN, THE CHANCELLOR OF THE

EXCHEQUER DENIS HEALEY AND KEY TUC LEADER JACK JONES PARTICIPATED.

2. THE LIAISON COMMITTEE ISSUED A JOINT STATEMENT AFTER THE MEETING WHICH DECLARED: "THE SEVERITY OF THE ECONOMIC DIFFICULTIES FACING THE GOVERNMENT IN RELATION TO THE COUNTRY'S SHORT TERM LIABILITIES AND THE IMPORTANCE OF MAINTAINING THE VALUE OF STERLING, WHICH AFFECT THE PRICE LEVEL, WAS RECOGNIZED. THE VITAL IMPORTANCE OF REVERSING THE INTERNATIONAL SLACKENING OF TRADE AND ECONOMIC GROWTH WAS EMPHASIZED. IT WAS EQUALLY EMPHASIZED THAT, AT HOME, IT WAS OF PARAMOUNT IMPORTANCE TO MAINTAIN THE CREDIBILITY OF THE INDUSTRIAL STRATEGY AND INCREASE EMPLOYMENT. THE LIAISON COMMITTEE ALSO UNDERLINED THAT WE MUST RETAIN IN THE COMING DIFFICULT PERIOD THE CLEAR SENSE OF PRIORITIES FOR THE NEXT THREE YEARS. INCLUDING SOCIAL PRIORITIES."

3. THIS STATEMENT WAS MADE AFTER THE PRIME MINISTER AND THE CHANCELLOR -- AS MURRAY TOLD REPORTERS LATER -- HAD GIVEN THE PARTICIPANTS A "GUARDED REPORT IN GUARDED TERMS ON THE ECONOMIC SITUATION," ALTHOUGH THE TUC GENERAL SECRETARY ADDED THAT IT WAS "NOT A BLOW-BY-BLOW ACCOUNT OF WHAT THEY DISCUSSED WITH THE IMF." MURRAY EXPLAINED: "WE DIDN'T ASK FOR THAT, AND THEY DIDN'T GIVE IT TO US."

4. ALTHOUGH MURRAY'S REMARKS PRESAGE ULTIMATE TUC ACQUIESCENCE IN THE GOVERNMENT'S PROPOSED AUSTERITY PACKAGE, THE TUC WILL EXPECT SOME ACTION BY GOVERNMENT WHICH WILL HELP TO MITIGATE THE IMPACT OF THE CUTS ON THE TRADE UNION MOVEMENT AS A WHOLE. FOR EXAMPLE, THE GOVERNMENT HAS AGREED TO SET UP A GOVERNMENT-TUC JOINT WORKING PARTY TO LOOK INTO WAYS OF IMPLEMENTING A WEALTH TAX, "HOPEFULLY" AS MURRAY PUT IT, "WITHIN THE LIFETIME OF THE PRESENT GOVERNMENT." TWO OTHER POINTS WERE EMPHASIZED BY THE TUC. MURRAY SAID, ON WHICH THERE WAS CLEAR AGREEMENT -- ACTION BY THE GOVERNMENT ON THE INTERNATIONAL LEVEL TO STIMULATE EMPLOYMENT (PRESUMABLY MEANING PRESSURE ON THE INCOMING U.S. ADMINISTRATION AND ON THE FEDERAL REPUBLIC FOR GREATER STIMULATION OF ECONOMIES) LIMITED OFFICIAL USE

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AND THE MAINTENANCE OF THE INDUSTRIAL STRATEGY.

5. DAVID LEA THE TUC'S CHIEF ECONOMIST, TOLD US AFTER THE MEETING THAT THE REASON FOR THE TUC'S CAUTIOUS APPROACH IS THAT IT DOES NOT WANT TO EMBARRASS THE GOVERNMENT DURING THE EXTREMELY DIFFICULT PERIOD. HE ALSO DOES NOT EXPECT THE GOVERNMENT TO PUT FORWARD A HARSH DEFLATIONARY PROPOSAL TO THE IMF GIVEN THE

DIFFICULT CIRCUMSTANCES. AND, HE ADDS, "WE WANT THE
GOVERNMENT TO SUCCEED."

ARMSTRONG

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